

Re: MB Docket No. 07-57

From:  
Martin Brooks  
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Comment:

I am opposed to the merger of Sirius and XM.

These organizations entered the satellite radio business with the understanding that there would be two companies in the market. They should live by those rules.

The proposed merger of Sirius and XM has only one real intent: to initially raise the market valuation of the new company to reward shareholders (and mainly the company executives.)

Mel Karmarzin implied at government hearings that consumers would have more choice and lower prices with the new service. But when pressed for details, he admitted that no one would pay less than they do now and that in order to receive the combined service, customers would pay far more than they do now (although not necessarily twice what they do now). Consumers who elected to keep only one service would actually receive less because channels that are perceived to be redundant, such as a "60's" or a "classical music" channel would be eliminated on one service.

Furthermore, having only one provider in the marketplace would enable the new company to reduce the quality of services (like eliminating on-air personalities) without competitive pressure. In my opinion, the quality of the offerings would severely decline.

I believe that the economic rationale for the company actually does not make sense and will be proven to be a mirage to shareholders. A merger only makes economic sense if one set of satellites can be decommissioned, thereby substantially reducing capital costs. But that only works if you only keep one set of services and one set of customers. Obviously, the merger makes no sense if half of the customers are lost.

Mr. Karmarzin's rationalization that satellite radio isn't just competing with itself, but with all communications services, makes no more sense than if the broadcast radio industry asked for relief because one can hear music on cable television or because a consumer can purchase recorded music at retail.

If the FCC decides to permit the merger, I believe that there should be a constraint on stock sales or exercising options by executives or former executives of the old or new company for at least ten years after the merger.